

INFORMAL SAVINGS MOBILIZATION AND INVESTMENT: A CASE STUDY OF ROTATING SAVINGS  
AND CREDIT ASSOCIATIONS (ROSCA) IN KOGI STATE, NIGERIA

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ABSTRACT

The rural economy of Nigeria despite the vortex of informal financial institutions lacks the vital resource desperately needed for economic growth as a result of the poor rate of capital accumulation. This paper examined the impact of informal savings mobilization on investment in Kogi State, Nigeria using rotating savings and credits association in Kogi State as case study, it specifically examines the purpose of loans/credits obtained, the nature of ROSCA in the informal financial sector of Kogi State, the average savings and credits obtained by members of ROSCAs. It also gathers opinion on whether grass root governmental intervention in the activities of rural saving mobilization is necessary for effectiveness and also examined the constraints/ perceived problems of members of ROSCAs. One hundred and eighty seven (187) respondents was randomly selected from six (6) local government area of Kogi State with the aid of well structured questionnaire, and analyzed using tabular analysis, percentage rating and chi-square tool. The study revealed that 39.03% saved an average monthly sum of between N 5000 – N10,000, 23.51%, 8.02% and 4.31% saved between N1000-N5000, N10,000-N100,000 and above N100,000 respectively. Majority (71.12%) obtained credits ranging between N10,000 – N100,000 the perceived problems/constraints identified includes lack of trust/fear of default (26.20%), method of savings mobilization (23.52%), leadership structure (13.36%), death of member (20.32%) lack of participation in decision making (16.60%) as their major constraints. The study further revealed that informal savings mobilization had no significant impact on investment in the rural sector of Kogi State while government intervention at the grassroots level had significant impact on the promotion of ethical savings mobilization to drive investment projects. Based on the findings of the study, it is recommended inter alia that sustainable ROSCAs should be inaugurated per village unit to broaden rural savings channels and also the proactive participation of the grassroots' apparatus of state in the disbursement of credits facilities, monitoring of project execution and performance to be used as indicator for further credit grants for expansion.

KEYWORDS: informal, Saving, Mobilization, investment. Intervention, grassroots.

INTRODUCTION

Contemporary studies of developing economy have acknowledged the informal financial institutions as a major player in the financial institutions. These derived from two school of thought viz the financial repression school (McKinnon and Shaw 1973) and the structuralist school of thought (Hugon:1990). The former sees the emergence of informal financial institution to be a result of the excessive regulation of the formal financial sector, while the later argues that the informal financial sector exists to serve other social goals than, making higher profits. The structuralist, therefore, considered the existence of informal financial institution to be a consequence of social rather than pure economic motives (Hugon: 1990).

Though the size of the informal financial market is not easily determinable due to its complex nature and institutions, it has been variously claimed that the informal financial sector in many developing countries, particularly in Africa is as large as or even larger than the formal sector (Wai: 1980, Chandarvarkar: 1985, and Christensen: 1993). In some African countries, the quantum of loans transacted through informal financial institutions exceeds the formal volume of resources intermediated through the formal financial institutions showing an indicator that holds huge investment potentials. (Anyeetey and Hyuha: 1991).

In Taiwan, the ratio of financial loans to private enterprise from the informal financial institution averaged 30 percent during the period 1971-1988 There are two basic problems arising from the presence of a large informal

financial institution. The first is its implication for financial intermediation. The second is its impact on monetary policy and investment especially when a large amount of money is outside the banking system.

The first case is an indication that investment and savings potentials are high in relation to the size of formal finance. There is thus a prevalence of substantial financial gap in the population, which is not yet serviced through the banking system. Consequently, owing to the failure of the financial system to allocate resource efficiently to a segment of the market, or the population, there is the tendency to patronize the informal financial channel for investment funds.

In the second case, the central banks, ability to influence financial and monetary condition through manipulation of deposit money banks' (DMBs) reserve balance using indirect monetary policy instrument is impaired. Nnanna (2001) identified the existence of dualistic financial market as a serious constraint to good money management and investment in Nigeria.

In addition, government policies (fiscal and monetary) are normally formulated on the platform of the formal sector in mind and it is as a result of policy failures that the searchlight is being beamed on the informal financial institution. Given the inter-relationship between the formal and informal financial sector, policy measures directed at regulating the formal financial systems, without addressing the factor which have given rise to the countervailing influence of the latter.

Nigeria is a cash based economy whose financial institutions are relatively shallow vis-à-vis the size of the countries gross domestic product (GDP). For instance broad money as a share of (GDP) has hovered around 13.0 to 28.7 percent, compared to 58.30, 43.0 and 45.0 percent in South Africa, Kenya, and Namibia respectively between 1996 and 2000. Currency outside bank as a percentage of broad money supply averaged 47.2 percent between 1991 and 2000 in Nigeria. Indicating that there are enormous resource outside the ambit of the regulating authorities (the formal financial institution) that can be pooled for investment in infrastructural facilities, social amenities, industrial development etc with a total of 23 deposit money banks in Nigeria, having a branch network of 4827 (3920 urban and 907 rural) and the bank-customer ratio of 1:47589 (47589 persons per bank), the country is grossly under banked. On the contrary, the informal financial associations, in various forms with an average membership of 10 persons per association are found in all the rural communities. Thus, it becomes imperative to understand the informal financial institution in Nigeria, especially with respect to issues relating to it size, nature, structure, loan administration, and cost of funds, investment potentials and the role of information in order to aid fashioning out appropriate policy options. Such an investigation would also help in evolving a more pragmatic relationship with the rural monetary authorities, towards proactive rural monetary management and its impact on investment in the economy.

Informal financial markets have been identified as a highly heterogeneous group, incorporating all financial transactions consummated outside the functional scope of formal financial regulations (Anyeetey and Hyula, 1991).

Informal network of financial markets participants include money lenders, rotating savings and credit association (ROSCAs) mobile saving collectors, mutual assistance groups, landlords, neighbours friends and family members (Meier 1970).

Informal financial intermediation in savings mobilization are easily identifiable in Nigeria because of the contiguity of shared forms and characteristic, there is however, no identifiable distraction between informal financial institutions operating in urban and those in rural areas. Also the volume of resources mobilized does not exhibit any meaningful difference base on location. The informal financial markets operates mostly on the principles of Rotating Saving and Credit Associations (ROSCAs), which have a long history in developing countries, and they continue to be a major source of credit in African countries. Typically, a small group is formed from a village or family group where enforcement costs are low because of powerful social sanctions. Each member agrees to contribute periodically, certain amount into a common pool, so that each in rotation can receive one large sum. It is built on trust and membership is often drawn from homogenous groups e.g. from the same ethnic background, same work place or same neighbourhood. If a member defaults in repaying the loan, the community bans him and if a member is banned from one group, he is rejected by the community.

ROSCAs is a group of individuals who agree to meet for a defined periods of time in order to save and borrow together, "ROSCAs are the poor man's bank, where money is not idle for long but changes hands rapidly, satisfying both consumption and production needs".

These groups of individuals come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. Participation is based on trust and social forces, and the desire to continue to be a member. It can be considered as a form of informal microfinance. The details vary as membership may be restricted by gender (often women only), ethnic group or place of residence the contribution amount varies according to a number of factors, and especially the ability to reliably contribute a certain amount. Socio-economic level is also an important criterion of membership. The cycle period and method of selecting a winner also vary. Meetings can be regular or tied to seasonal cash flow cycles in the rural communities where each member contributes the same amount at each meetings and one member takes the whole sum of money during the life of the ROSCAs, and use it for whatever purpose she or he wishes. This method of savings is a popular alternative to the risks of saving at home where family and relative may demand access to savings.

Every transaction is seen by every member during the meetings. Since no money has to be retained inside the group, no record has to be kept unless otherwise stated.

These characteristics make the system a model of transparency and simplicity that is well adapted to communities with LOW LEVEL of LITERACY and weak systems for protecting collective property rights. The system further reduces the risk to members because it is time limited typically lasting no more than one year. This reduces the size of loss should someone take funds early and not pay back. Variously called Esusu in West Africa and the Caribbean, tontines in Cambodia, etibi in Oron nation, wichingye in Korea, arisan in Indonesia, xitique in Mozambique and djanggis in Cameroon, ROSCA are informal or pre-cooperative microfinance groups that have been documented around the developing world. A famous early study by anthropologist Clifford Geertz documented the arisans of Modjokuto in eastern Java. He described them as intermediate institution forming up within peasant social structure, to harmonize Agrarian economic patterns with commercial ones, to act as a bridge between peasants and trader attitudes towards money and its uses". The individuals in the ROSCA select each other, which ensure that participation is based on trust and social force, and a genuine commitment to participate.

The multiplicity and spread of membership among different forms of institutions is equally common both amongst the rural and urban clients, sanctions and loans recovery methods are broadly similar, between urban and rural dwellers, across peoples, societies, communities and countries in almost all forms of informal financial institutions, peer group pressure and cohesion provide the most potent tool for loan recovery, an attribute that is conspicuously missing in the formal financial institutions, the membership pattern is usually widespread, but largely contiguous. Thus, people who do not reside within a contiguous geographical location are not admitted.

ROSCAs are not registered with the government and efforts are made to keep government from intervening in the management of their affairs, thus their activities are not regulated by government laws and edicts.

Basically, most savings among the relatively poor are held in the form of real assets. This equilibrium portfolio allocation results from the poor performance of financial assets and from the strong demand for owning real assets which are used directly in production. The poor performance of financial savings among the poor should not be surprising, because financial savings is subject to precisely the same information and enforcement difficulties as lending. Consequently, financial savings in the informal sector is held within close social groups in order to contain the moral hazard and adverse selection problems associated with enlisting assets to strangers (Anyeetey and Udry: 1994) group savings schemes of one sort or another are known to operate in about half of all African countries (Anyeetey and Udry: 1994). The group tends to be socially homogenous as a means of avoiding information and enforcements difficulties. The group also tends to build social collateral (Besky and Coate, 1994) by increasing information flows, providing benefits (which can be cut off) to members and serving as a focal point for social interaction. Informal group savings, therefore, in addition to its direct role of mobilizing savings may serve to ameliorate the information and enforcement difficulties associated with other financial transactions (Anyeetey and Udry: 1994).

The major problem with domestic savings mobilization in Kogi state of Nigeria is that inadequate savings are being mobilized to facilitate the required investment needed for economic growth. Also, the type of savings available that

is shrouding in principles based on uninformed and exoteric foreign economic models do not make indigenous financial intermediations possible, Kogi states as well as Nigeria's low and stagnant savings rates have not compared well with regions and countries of Asia, given Nigeria the lowest savings rates among the developing regions.

The Gross Domestic Savings being the most available measure of saving performance re-enforce this claims as shown below, 17% GDS in 2006, compared with 26.0% in south Asia, 24.0% in Latin America and the Caribbean's and really 42.9% in east Asia and pacific countries (world bank 2007). The much lower level of savings in Kogi state and Nigeria may explain much of the lower of economic activity in the region and the slower pace of growth. Aside from savings rates, stability over time is crucial for smooth predictable investment and Nigeria again fares worse than other developing countries, due mainly to exogenous shocks to primary commodity dependence; and not taking the 'Nigerian project' as a national pride to defend.

Research had shown that savings potentials are relatively large and widely un-mobilized in the rural economy, creating a lag in the capital accumulation potentials of the rural dwellers; it is against this background that the following questions are posed in the study.

- What are the socioeconomic/demographic characteristics of the respondents (age, marital status, religion, educational level, occupation).
- What is the average amount mobilized and granted as credits.
- What purposes are the credits utilized on
- What are the constraints of the respondents?
- Does the savings been mobilized encourage investment in sustainable projects.
- What is the grassroots government's role in monitoring saving mobilization and disbursements in the rural economy?

Objective of the Study: The general objective of the study is to assess the impact of informal savings mobilization on investment in Kogi State, Nigeria.

The Specific Objective Include:

- Identify the socioeconomic/demographic characteristics (such as age, marital status, religion, educational level, occupation) of the respondents.
- Observe the savings and credit pattern.
- Examine the purpose of credits obtained
- Identify the constraints of the respondent in mobilizing rural savings and the role of government.
- Ascertain if the mobilization of rural savings has any impact on the expansion of investment opportunities and based on the findings; make appropriate distortions of informal financial institutions activities in savings mobilization and its adverse effect on investment in Kogi State, Nigeria.

#### MATERIALS AND METHOD.

Area of study: The study was carried out in Kogi state of Nigeria. The state has twenty one (21) local government areas and is located in the middle belt, North Central area of Nigeria, lies between latitude 7°, 15 minutes North and longitude 7°, 32 minutes East on an altitude of four hundred and twenty meters above sea level. The state experiences two major seasons, dry and wet seasons which favours the growth of varieties of food and cash crops. The major economic activities of the people are farming; fishing, services and government employees and the major crops grown are yam, cassava, and rice while the cash crops include cashew, oil palm, and Neem tree. Kogi State is abundantly endowed with Iron Ore, Limestone and coal.

Population and sampling procedure: - The populations for the study are traders, farmers, catering and food seller, tailors e.t.c in Kogi State, Nigeria who are members of ROSCAs group. Multi stage sampling was employed for the study. The state was divided into three geographical zones with twenty one local government areas. The first stage of the sampling involves selection of local government areas from each zone. Each of the geographical zones has an average of seven local government areas which Two Local government was randomly selected in each local government area. 10 ROSCA members were selected for the study from organized informal financial institutions (ROSCAs) representing 15% of the population, making one hundred and eighty seven respondents as shown in Table 1.

Data Collection: Data were sourced from primary sources. Data's from primary sources were collected with the aid of well structure questionnaire and oral interview/observation. The following were collected from the well structured questionnaires:

- 1) Age measured in years.
- 2) Level of education measured in years
- 3) Family size the measured by number of heads per household.
- 4) Annual loan/income obtained and size of contribution measured in Naira.

Other information collected includes.

- 1) Purpose for which loan is collected.
- 2) Sex, mental status, religion.
- 3) Occupation of the respondents and based on this primary source of data collection, he analysis of the research shall be done.

Analytical Technique: The data obtained from interview schedule was subject to descriptive and inferential statistical analysis. Descriptive statistics for this study include frequency, percentages and means and a hypothesis was tested using chi-square(Adofu,2007).

## RESULTS AND DESCUSSION

Table 1: Analysis of sample selection

Selected local government area	No of programme	No. of program selected	No. of respondent in local govt.	No. of sample respondent.
Dekina Local Government	8	2	120	35
Idah Local Government	5	1	80	25
Lokoja Local Government	10	3	170	45
Kabba local government	5	1	70	25
Okene local government	4	1	85	22
Ajaokuta local government	5	2	108	35
Total	37	10	633	187

\* Source: Field survey, 2009.

The respondents were requested to describe their socioeconomic characteristics, such as age, marital status, sex, religion, level of education and occupation as presented in table 2.

Table 2 showed that 21 to 25 years were 12.3 %, 26-35 years were 28.0 %, and 36-45 years old respondents were 25.1 %, 46-55 were 18.7 % while those above 55 % were 13.5 %. This shows that majority of the respondents are neither too young or too old as they constitute the active populations as such savings from ROSCA would be used for beneficial projects. Majority of the sampled respondents are male (66.8 %) while female 33.2 %, on marital status, the results indicates that 30.4 percent of the respondents are single, 55.2 % Married while 14.4 % are widowed/divorced.

On religion, 47.06 % of the respondents are Christians, 32.09 percents are Muslims while 20.85 % are traditional worshipers. The educational level of the respondents showed that 36.36 % of the ROSCA participants had no formal education 23 % had adult literacy education, 29.94 % had primary education while 10.7 % had higher education.

On the occupation of the respondents, the result showed that 10.16 % of the rural women were engaged mainly in

Table 2: frequency distribution of respondents according to demographic characteristic (such as age, sex, marital status, religion, level of education and occupation).

Variables	Frequency	Percentage
(a) Sex		
Male	125	66.8
Female	62	33.2
Total	187	100
(b) Age (yrs)		
21-25	23	12.3
26-35	53	28.0
36-45	47	25.1
46-55	35	18.7
Above 55	29	15.5
Total	187	100
(c) Religion		
Christianity	88	47.06
Islam	60	32.09
Traditional	39	20.85
Total	187	100
(d) Marital Status		
Single	56	30.4
Married	104	55.2
Widowed /divorced	27	14.2
Total	187	100
(e) Level of education		
No formal education	68	36.36
Primary education	56	29.94
Higher education	20	10.70
Adult literacy education	43	23.00
Total	187	100
(f) Occupation		
Farming	19	10.16
Trading	29	15.57
Catering and food selling	28	14.97
Tailoring	20	10.69
Okada rider	31	16.58
Others	60	32.09
Total	187	100

farming, 15.51 % in trading, 14.91 % engaged in catering and food selling, 10.69 % are into tailoring, 16.58 % in okada riding business while 32.09 % represent the other category (Those in other unspecified occupation such as civil servant, shoe repairers, tax collection, mechanic operators etc.) Table further shows that respondents were mainly self employed.

Table 3: Frequency distribution of purpose loan/credit obtained

Purpose	Frequency	Percentage
(a) human capital development	85	45
(b) business expansion	50	27
(c) others	52	28
Total	187	100

Table 4: Frequency distribution of respondents by mean Level of income

Level of income	Frequency	Percentage
(a) Below ₦ 1000	12	6.42
(b) ₦ 1000-₦5000	36	19.25
(c) ₦5000-₦10,000	70	37.43
(d) ₦10,000-₦100,000	52	27.81
(e) Above ₦100-000	17	9.09
Total	187	100

Table 5: Frequency distribution of respondents by the nature of ROSCAs in the informal financial sector of Kogi state,

Variables (membership by type of ROSCAs)	Frequency	Percentage
(a) common ROSCAs	173	92.51
(b) commissioned ROSCAs	-	-
(c) promotional ROSCAs	14	7.49
Total	187	100

Table 6: Frequency distribution of respondents according to their average monthly savings with ROSCAs

Level of income saved	Frequency	Percentage
(a) Below ₦1000	44	23.51
(b) ₦1000-₦5000	47	25.13
(c) ₦5,000-₦10,000	73	39.03
(d) ₦10,000-₦100,000	15	8.02
(e) Above ₦100,000	8	4.31
Total	187	100

Table 7: Frequency distribution of the respondents on the average monthly credit collected by members of ROSCAs

Variables	Frequency	Percentage
(a) below ₦100	-	-
(b) ₦1000- ₦5000	11	5.88
(c) ₦5000- ₦10,000	39	20.86
(d) ₦10,000-₦100,000	133	71.12
(e) above ₦100,000	4	2.14
Total	187	100

#### Condition for Giving Loan to Rural Dwellers by ROSCAs

The following are the pre-requisite loans to rural dwellers by ROSCAs

- You must be a registered member of ROSCA
- Intending borrowers must be a bonafide contributing members of ROSCA for a period not less than six month.
- Members must attend meeting regularly and subscribe fully their daily, weekly or monthly share of the common wealth and must well known in the soup
- Repayment of the loan is usually the time frame of the ROSCA season which is usually one year.

#### Purpose of Loan/Credit Obtained

As shown in table 3, the result revealed that majority of the respondents (45 %) used their loans obtained from the scheme mainly for consumption purposes (Human capital development like self knowledge acquisition, education of children, demonstration effect. Etc 27% used theirs to finance investment projects while 28% used theirs on others on other unspecified purposes) implying that since majority of the respondents fall into the active adult life where the marginal propensity to consume is relatively high due to low income, most of the rural credits are geared towards ameliorating the consumption difficulties thereby crowding out investment opportunities

#### THE INCOME LEVEL OF RESPONDENTS

The mean income levels of respondents are depicted in Table 4. it showed that 6.42% the respondents earn a monthly income of less than ₦1000, 19.25% earned between ₦1000-₦5000, 27.81% between ₦10,000-₦10000, 909% earned above ₦100,000 while 37.43% earned between ₦5000-₦10,000

The nature of ROSCA in Kogi State, Nigeria

In the course of this study, certain features were identified as typical of ROSCAs in mobilizing savings in the informal financial sector of Kogi State, Nigeria. Some of these features are the membership and types of ROSCAs involved in by the respondents, the average monthly contributions by members, the average monthly credits obtained by members and the most severe problems mitigating against members of ROSCAs in Kogi State.

This are depicted in Table 5, 6, 7 and 8.

From Table 5, 92.57 % of the respondents belonged to the common (ROSCAs) which is limited to a particular field of specialty and size, as this is evident because the common ROSCAs due to the various constraints of fear of default etc are limited to between 10 and 40 members, the commissioned ROSCAs had no member among the various sampled respondents studied, while the promotional (ROSCAs) had 7.49% as members, indicating that the country wide introduction of a community based savings scheme by fin bank nig plc called naira wise where daily savings are mobilized from the respondents and micro credits advanced.

From Table 6, 23.57% saved below ₦1000, 25.13% saved between ₦1000-₦5000, 39.03% saved between ₦5000-₦10,000, 8.02 % saved between ₦10,000-₦100,000 while only 4.31 % of the respondents saved above ₦100,000 averagely per month, re-enforcing the abysmally low rate of capital formation which inhibits investment opportunities in sustainable rural projects.

From Table 7, it was observed that only 2.14% of the respondents obtained credits above ₦100, 000 averagely per month, 71.12 % borrowed between ₦ 10,000-₦100, 000, 20.86% borrowed between ₦5000-₦10, 000, and 5.88% between ₦1000-₦5000 etc.

Table 8: Frequency distribution on the perceived Problem of ROSCAs in Kogi state, Nigeria

Constraints	Frequency	Percentage Per Problem	Commutative Rank
(a) lack of trust/fear of default	49	26.20	1 <sup>st</sup>
(b) method of saving mobilization	44	23.52	2 <sup>nd</sup>
(c) leadership structure	25	13.36	5 <sup>th</sup>
(d) death of a member	38	20.32	3 <sup>rd</sup>
(e) lack of participation in decision making	31	16.60	4 <sup>th</sup>
TOTAL	187	100	

Based on the questionnaire, some potential constraint of the members of ROSCAs in the informal financial sector of Kogi State were identified from table 8, the results obtained by the use of percentage rating which provides a measure of the relative severity of some of the problems confronting the members. As revealed on the table above, lack of trust and fear of default is the most difficult problem of the members having been rated the first with 26.20 percentage score the, second most difficult problem is the methods of savings mobilization with 23.52 %, followed by the death of a member with 20.32%, lack of participation of members in the decision making process of most



ROSCAs rated fourth with 16.60 percent while the less difficult problem faced by the respondents is the style of leadership structure rated fifth with 13.36 %.

Table 9: Chi-square tests of relationship between the mobilization of rural savings by ROSCAs and investment in the rural economy of Kogi State.

Fo	fe	Fo-fe	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
16	16.58	-0.58	0.3364	0.0203
9	8.42	0.58	0.3364	0.0400
43	43.10	-0.1	0.01	0.0002
22	21.90	0.1	0.01	0.0005
27	26.52	0.48	0.2304	0.0087
13	13.48	-0.48	0.2304	0.0171
38	37.80	0.2	0.04	0.0011
19	19.20	-0.2	0.04	0.0021
				Σ0.09

$$Df=(r-1) (-1), (4-1) (2-1) = 3, \quad \alpha=0.05 \quad x^2t=7.815$$

chi-square calculated = 0,09

chi-square tabulated = 7.815, since the calculated

chi-square is less than the tabulated chi-square i.e  $x^2c(0.09) < x^2t(7.815)$ , we accept the null hypothesis  $H_0$  and reject the alternative hypothesis  $H_1$ . Hence we conclude that the mobilization of rural savings by ROSCAs (a form of informal financial institution) had no significant impact on investment in the economy of Kogi state, Nigeria

Table 10: Chi-square tests of relationship between the local government's apparatus of state and activities of informal financial institutions in mobilizing rural savings

Fo	Fe	Fo-fe	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
46	38.77	7.23	52.27	1.3482
12	19.23	-7.23	52.27	2.7183
35	337.43	-2.43	5.90	0.1576
21	18.57	2.43	5.980	0.3180
19	25.40	-6.4	40.96	1.6126
19	12.60	6.4	40.96	3.2508
25	23.40	1.6	2.56	0.1094
10	11.60	-1.6	2.56	0.2207
				Σ 9.515

$$Df=3, \quad \alpha=0.05, \quad x^2t=7.815, \quad x^2c=9.515$$

The calculated chi-square ( $x^2c$ ) is greater than the tabulated chi-squaare ( $x^2t$ ).i.e  $x^2c(9.515) > x^2t(7.815)$ . Hence, we accept the alternative hypothesis ( $H_1$ ) and reject null hypothesis ( $H^0$ ), implying that the government either directly or through a public private initiatives has to intervene in the operations of informal financial institution to ensure effective management of rural resource mobilization

#### POLICY IMPLICATION

A general look at these results thus conformed with the views of steel and Anyeetey (1997) that observed that ROSCAs can help in mobilizing the people's daily collection of deposits, which can in turn be used as working capital to restock supplies enabling them expand their output and earn a stream of profits, thereby providing a significant source of income to household for increased standard of living. We also observed that credit provided by ROSCAs can increase income and build assets. But unfortunately the lack luster attitudes of the informal financial players which calls for excessive exploitation of the rural participants through the high interest rate inherent in the informal sector impedes these good intention thus making investment of the said credit facilities impossible. As such a pragmatic grassroots approach should be taken in active collection with a profit maximizing financial partner (public/private owned) that would take advantage of the low cost of information dissemination inherent in the

peculiar rural settings of the participants for the purpose of tapping into the enormous pool of idle rural finance needed for investment.

Quoting Senator Barack Obama, President of the United States of America; "...the financial market is a force for good and evil, its power to generate wealth and ensure freedom is largely unmatched, but also... without the watchful eye of the people and state, the market can spiral out of control". As such this alliance between the local apparatus of state and the informal financial players is needed to forge a lasting solution to the cyclical low level of capital formation, which is an impediment to economic growth through investment.

#### CONCLUSION AND RECOMMENDATION

This study assessed the impact of informal savings mobilization on investment in Kogi State, Nigeria. Questionnaire was used to collect data from the respondents. For the purpose of the study, 187 respondents representing six local government areas in Kogi State were selected, using the members of ROSCAs as sampling frame.

The respondents' attitude towards saving majority (87.67%) saved between the point of dis-savings and ₦10, 000, indicating the low level of monthly savings while 12.33 % saved above ₦10, 000-₦100, 000. On the respondents' benefits derived from the rural credits obtained, majority (73%) of the respondents obtained credits to finance human capital development and other unspecified consumption while only (27%) of the respondents used credits obtained to finance investment/expansion of existing business.

On the constraints/perceived problems faced by ROSCAs member, 26.20% of the respondents perceived lack of trust/fear of default as their major constraints, 23.52% identified the method of savings mobilization as a constraining factor, 13.36% said leadership structure was the inhibiting determinant to effective rural finance administration, 20.32% and 16.60% identified death of a member and lack of participation in decision making respectively as a detrimental factor in effective rural finance management.

Based on the finding in this study, one can realize that although the efforts of ROSCAs in efficiently mobilizing and allocating rural finance, it brings improvement to the living conditions of the rural dwellers who are members of ROSCAs, as such to achieve greater effectiveness, more awareness /a state wide re-orientation is necessary to sensitize the rural dwellers on the need to be more entrepreneurial minded to break through from the Rat Race of Poverty.

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